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648 433 178 pirations mostly in order to develop a modern industry capable of meeting war needs.

The assumption that work invested in industrial development would improve economic conditions was a decisive factor in influencing states to industrialize. This assumption was particularly valid in regions with climatic extremities and little arable land. Some of the means used to foster industrialization were technical education, customs, embargoes, tax exemptions, monopolies, favorable credit policies, and provisions protecting the joint interests of domestic industries. The assembly line system, as influenced by the United States, was started in the industrial sector in the '30's.

Branches of industry requiring specialized skill were developed mainly in Czechoslovakia and Hungary, but they did not attract many from the surplus peasant population which still preferred unskilled jobs. The competition, such as it was, for unskilled jobs resulted in a low wage level. Therefore, the increase in purchasing power was gradual. Peasant poverty and the lack of skill and capital were the fundamental problems facing industrialization programs and the new governmental economic policies.

426 439 The general poverty was further increased by the fact that the small Eastern European countries were debtor states. The solvency of Czechoslovakia was dependent on the export of industrial goods, while other states depended upon agricultural exports or, as in Rumania, upon mineral raw materials and lumber as well as on agricultural goods. Foreign debts, incurred before and after the First World War, weighed heavily on the budgets of the individual countries. Only one half of the debts were repaid during the interwar period. Foreign loans were given too often on the basis of political considerations. The boundaries erected by the 1920 peace treaties had already broken up natural economic and geographic areas, and the disproportionate lending policies of foreign powers hindered the uniform economic development of East-

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ern Europe. The individual states became more and more antagonistic and trade within the Eastern European area often took a course contrary to the requirements of reasonable economic policies. Free trade, cherished in the first postwar years, was soon abandoned for the sake of a policy of protective tariffs. Customs, duties, and foreign exchange restrictions to prevent speculation, were introduced to protect economic development and strength.

Both "economic nationalism" and "small power imperialism" were features characteristic of this area in the period between the wars. When the economic position of the new states in the '20's is compared with the situation prior to the First World War, the problems of these states emerge clearly. The economic well-being of the old Austro-Hungarian empire lay in the regional character of its economic organization, which depended mostly on a coordinated internal market and a natural division of labor between the component parts of the empire. Although it was a social and cultural mosaic, the empire was organized in such a manner as to take advantage of the regional distribution of natural resources and the differing skills of the various populations.

The peace treaties ending the First World War, while meeting the political aspirations of various nationalities, did not provide a satisfactory solution to the economic problems of the region, and the newly created states were divided by serious political and economic differences. Political animosity soon led to economic warfare, and self-sufficiency, the driving motivation of the new states, precluded any real possibility of economic cooperation. The world depression of the early '30's led to the final economic and psychological collapse of Eastern European stability and opened the door wide to German economic penetration and the eventual conquest of the region.

The foreign trade of the Eastern European countries in the years 1919-1944 was far smaller than it should have